

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re

Chapter 11

FRGR MANAGING MEMBER, INC.,

Case No. 09-11061

Debtor.
-----X

AFFIRMATION

MARK STERN affirms under penalty of perjury, as follows:

1. I am the Managing Member of Debtor FRGR Managing Member LLC ("Debtor").
2. I submit this affidavit in further support of FRGR's objection ("Objection") to the motion ("Motion") of the Office of the United States Trustee to dismiss the Debtor's Chapter 11 case.
3. I have reviewed the Affidavit of Ron Friedman filed this day, November 3, 2009, to which I am responding.
4. First, Mr. Friedman contends that the monthly operating reports filed in First Republic's case indicate that First Republic's net income for the period June 22, 2009 through September 30, 2009 was \$257,268.26, which equates to an annual net income of approximately \$1 million, as opposed to the \$5 to \$6 million of net income set forth in FRGR's Objection to the motion to dismiss.
5. The flaw in Mr. Friedman's contention is that the monthly reporting reports excerpts, which are attached to his affidavit, include Chapter 11 legal fees of about \$200,000 per month, and a reduction of about \$250,000 per month for depreciation. Since Chapter legal fees are not a regular expense and since depreciation is not an expense at all, the operating report excerpts understate projected income by in excess of \$5 million.

6. Indeed, Michael Kelly, a then Citibank employee and First Republic's president, at the first meeting of creditors in the First Republic case, testified at pages 27 to 28 of the transcript thereof, a copy of which is annexed hereto as Exhibit A, that the 2008 cash flow was \$4 to \$5 million: "The cash flow generated from the property that I'm aware of after payment of debt service was approximately \$4 to \$5 million."

7. Such cash flow is consistent with the \$137 million December 2008 appraised value of the First Republic shopping malls (Exhibit B). The total value of First Republic's assets is \$145 million, including the \$8 million of cash as of the filing date – which is far in excess of the \$111,150,000 due to Citigroup under its note and mortgage.

8. In summary, First Republic generates a very substantial amount of net income, and FRGR's goal is to recover that value in its Chapter 11 for the benefit of the FRGR bankruptcy estate.

9. With respect to the amounts deposited in the TD Bank Account maintained by Republic Funding, LLC ("Funding"), it must be noted at the outset that such funds were not rental proceeds, but rather, the transfers represented payment for tenant alterations that had been assigned to First Republic Group, Corp. ("Corp."), which in turn assigned such payments to Funding, in exchange for Corp. having have paid for substantial First Republic shortfalls. Copies of the assignments are annexed hereto as Exhibit C.

10. By way of background, FRGR has been complaining repeatedly to all courts in which it found itself, and to Citigroup before that, that Citigroup was choking the Debtor off from its cash flow to the point that the Debtor was unable to service its tenants. Thus, at least during FRGR's ownership of First Republic, Citigroup unnecessarily accumulated

reserves in the millions of dollars, and drawing on its control of the lockbox into which rents were deposited, left First Republic unable to pay its bills.

11. Accordingly, Corp. agreed to fund certain shortfalls, and Corp. took an assignment of the U.S. Army payments for such shortfalls, which it then assigned to Funding. Consequently, when the checks were received, therefore, pursuant to the assignments, I caused them to be transferred to Funding.

12. The same holds true with respect to the Dollar Tree transfers. Again, I do not believe that any of the funds received represent rents, but rather I believe the funds represent reimbursement for alterations, and that Funding was entitled to those funds pursuant to the assignments.

13. In any event, I arranged to have the entire \$135,764.26 disputed amount placed in escrow with Backenroth Frankel & Krinsky, LLP so that this issue does not prejudice First Republic or FRGR.

14. Based upon the foregoing, FRGR respectfully requests that the Bankruptcy Court deny the motion to dismiss.

Dated: Monsey, New York
November 3, 2009

s/Mark Stern

Mark Stern

Exhibit A

OFFICE OF THE UNITED STATES TRUSTEE
CHAPTER 11

-----X

IN THE MATTER OF:

First Republic Group Realty, LLC

Case No.:
09-13983

-----X

August 5, 2009

BEFORE: MAZAR KHODOROVSKY
Judge

APPEARANCES: ADAM ROSEN, ESQUIRE
Attorney for First Republic Group
Realty

TRANSCRIBER: TRISHA RUCKART

INDEX

W I T N E S S E S

<u>PETITIONER:</u>			RE	RE	V.	
<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>D.</u>	<u>J</u>

<u>RESPONDENT:</u>			RE	RE	V.	
<u>WITNESS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>D.</u>	<u>J</u>

E X H I B I T S

<u>PETITIONER:</u>			
<u>IDENTIFICATION</u>	<u>DESCRIPTION</u>	<u>I.D.</u>	<u>IN EV.</u>

<u>RESPONDENT:</u>			
<u>IDENTIFICATION</u>	<u>DESCRIPTION</u>	<u>I.D.</u>	<u>IN EV.</u>

1 MAZAR KHODOROVSKY: Let the record reflect
2 that the date is August 5th, 2009, and the time is
3 2:33 p.m. The name of the case is First Republic
4 Group Realty, LLC, Docket number 09-13983. The case
5 has been assigned to Judge Glenn. Good afternoon.
6 My name is Mazar Khodorovsky. I'm an attorney at the
7 Office of the United States Trustee, a component of
8 the Department of Justice, and I will be the
9 presiding officer at this hearing. The United States
10 Trustee supervises the administration of bankruptcy
11 cases under the bankruptcy code. The debtor is
12 required to appear to be examined under oath
13 regarding the bankruptcy case. The examination will
14 be recorded. All persons questioning the debtor must
15 state their names and indicate who they represent.

16 At this time I'd like to swear in the debtor's
17 representative. Please raise your right hand. Do
18 you swear or affirm to tell the truth, the whole
19 truth and nothing but the truth?

20 MICHAEL KELLY: I do.

21 MR. KHODOROVSKY: You may lower your right
22 hand. Will you please state your full name for the
23 record.

24 MR. KELLY: Michael Kelly.

25 MR. KHODOROVSKY: Can you please spell your

1 name for the record?

2 MR. KELLY: M-i-c-h-a-e-l K-e-l-l-y.

3 MR. KHODOROVSKY: Mr. Kelly, what is the
4 current address of First Republic Group Realty?

5 MR. KELLY: It's owned by Commercial
6 Liquidation Properties, which has an address of 388
7 Greenwich Street, New York, NY 10013.

8 MR. KHODOROVSKY: 388 Greenwich Street?

9 MR. KELLY: Yes.

10 MR. KHODOROVSKY: Mr. Kelly, where do you
11 reside?

12 MR. KELLY: Full address?

13 MR. KHODOROVSKY: Whatever your convenient
14 disposal.

15 MR. KELLY: Glenrock, New Jersey.

16 MR. KHODOROVSKY: What is your relationship
17 to the First Republic Group Realty?

18 MR. KELLY: I am now the president of First
19 Republic Group Realty.

20 MR. KHODOROVSKY: Do you own any equity in
21 the company?

22 MR. KELLY: I do not.

23 MR. KHODOROVSKY: Do you hold any titles
24 beyond president?

25 MR. KELLY: We have five directors so I'm

1 one of the directors.

2 MR. KHODOROVSKY: Is First Republic Group
3 Realty currently represented by an attorney here
4 today?

5 MR. KELLY: It is.

6 MR. KHODOROVSKY: Counsel, please identify
7 yourself and note your appearance.

8 ADAM ROSEN: Adam Rosen, Silverman Acempoor
9 [phonetic] LLP, proposed counsel for First Republic
10 Group Realty.

11 MR. KHODOROVSKY: Creditors and other
12 parties and interests, can you identify yourselves
13 and note your appearances.

14 ROBERT SASLOF: Robert Saslof [phonetic]
15 from the firm Robinson Broad - - , and I represent
16 five unsecured creditors.

17 STEVEN STERN: Steven Stern [phonetic] with
18 the first - - Stern and Ross, creditor of the debtor.

19 ROBERT LEE HANE: Robert Lee Hane, Kelly,
20 Troy and Warren [phonetic] on behalf of Jones, Lang,
21 Lasalle, Americas [phonetic], creditor of the debtor.

22 NICHOLAS: Nicholas - - , and Gross, - - .

23 ELISE FRANKEL: Elise Frankel, - - and
24 Frankel, counsel for the Citigroup.

25 MR. KHODOROVSKY: Anybody else? Any other

1 creditors? If you can't be heard to make your
2 appearance, please just come by the table. If you're
3 far away, just please come by because otherwise you
4 will not be heard.

5 OLIVIA LEE: Olivia Lee, Schrager and
6 Schrager [phonetic] on behalf of - - creditor of the
7 debtor.

8 MR. KHODOROVSKY: Have all the creditors or
9 other parties of interest here who wanted to make
10 their appearance made their appearance? Hearing
11 silence, I will begin. Mr. Kelly, is what I'm
12 showing you now the bankruptcy petition of First
13 Republic Group Realty?

14 MR. KELLY: Yes.

15 MR. KHODOROVSKY: Mr. Kelly, did you sign
16 the bankruptcy petition of First Republic Group
17 Realty?

18 MR. KELLY: I did not.

19 MR. KHODOROVSKY: Who signed the bankruptcy
20 petition of First Republic Group Realty?

21 MR. KELLY: Mark Stern.

22 MR. KHODOROVSKY: Can you explain why you're
23 currently the president of the company and why Mark
24 Stern is not present here today?

25 MR. KHODOROVSKY: Mark Stern was a former

1 president of First Republic Group Realty. He was
2 replaced after Citigroup foreclosed on the mezzanine
3 loan that it held on FRGR on June 23rd.

4 MR. KHODOROVSKY: June 23rd of which year?

5 MR. KELLY: Of 2009.

6 MR. KHODOROVSKY: Mr. Kelly, has First
7 Republic Group Realty, LLC filed its schedules and
8 statements of financial affairs?

9 MR. KELLY: Not yet.

10 MR. KHODOROVSKY: When does First Republic
11 Group Realty to which I'll also refer as the debtor
12 expect to file its schedules and statements of
13 financial affairs?

14 MR. KELLY: On or before August 24th.

15 MR. KHODOROVSKY: Of this year?

16 MR. KELLY: 2009, sorry.

17 MR. KHODOROVSKY: Okay. Now, Mr. Kelly,
18 first are you familiar with the financial affairs of
19 First Republic Group Realty.

20 MR. KELLY: Somewhat, yes.

21 MR. KHODOROVSKY: Why do you say somewhat?

22 MR. KELLY: Because Citigroup just recently
23 foreclosed to take ownership. So, we have received
24 some of the information but not all of the
25 information. We are still working through counsel

1 trying to obtain everything else that we need to get
2 our--to gather everything on First Republic Group,
3 bank accounts. There are just certain issues that we
4 need more time to address.

5 MR. KHODOROVSKY: So, what information do
6 you still need in order to become fully acquainted
7 with the financial affairs of First Republic Group
8 Realty?

9 MR. KELLY: That's hard to say without
10 knowing what we're missing.

11 MR. KHODOROVSKY: Maybe counsel can help
12 you.

13 MR. KELLY: We believe there are other bank
14 accounts that we have not had access to. We do not
15 have certain documents. We're still going through
16 everything. The only information that we've really
17 been given has been given to us by Jones Lang
18 Lasalle. We have not received really any information
19 from the former owner.

20 MR. ROSEN: I would say that the--

21 MR. KHODOROVSKY: [interposing] Please
22 identify yourself, please.

23 MR. ROSEN: Adam Rosen, Silverman - -
24 opposed counsel to the debtor. I would say that the
25 financial information supplied to us by Jones Lang

1 Lasalle has given us a complete view of the financial
2 affairs of the properties as operating properties.
3 However, when you ask the general question of the
4 financial affairs of First Republic Group, Mr. Kelly
5 and my office have not received complete information
6 regarding every bank account that First Republic
7 Group might have in its name, claims that First
8 Republic Group might have, an ability to assert,
9 etcetera, so at this early stage it would be
10 impossible for Mr. Kelly to, you know, have complete
11 knowledge of those types of things. I just want to
12 add one other thing, and that is that we filed a 2004
13 exam application, and it was granted, I think last
14 week, regarding Citizens Bank to try to investigate
15 whether First Republic Group has an interest in the
16 Citizens Bank account. And I believe today or
17 tomorrow we will be filing another 2004 application
18 regarding another bank account. So, we've started
19 that process, and we expect that process to continue
20 over the next few weeks.

21 MR. KHODOROVSKY: I understand. Has First
22 Republic Group Realty filed for bankruptcy before?

23 MR. KELLY: No.

24 MR. KHODOROVSKY: Have you yourself or to
25 the best of your knowledge any present or former

1 principles of First Republic Group Realty have they
2 filed for bankruptcy before?

3 MR. KELLY: The--

4 MR. KHODOROVSKY: [interposing] Well let's
5 start with you yourself. Have you yourself filed for
6 bankruptcy?

7 MR. KELLY: I have not.

8 MR. KHODOROVSKY: What about other current
9 principles of the company?

10 MR. KELLY: The entity that held the shares
11 of First Republic Group Realty, FRGR LLC, filed for
12 bankruptcy on March 9th, 2009.

13 MR. KHODOROVSKY: And what's the status of
14 that bankruptcy case?

15 MR. KELLY: Unknown to me. We're not--we're
16 not involved.

17 MR. ROSEN: That case is pending before
18 Judge Lithlan [phonetic], has separate counsel. It
19 has been reassigned a judge--okay, well it was with
20 Judge Lithlan. It's been reassigned, has different
21 counsel, and we haven't had any involvement in that.

22 MR. KHODOROVSKY: Have any business in which
23 you or other principles of First Republic Group
24 Realty--I'm sorry, let me re-phrase. Have any
25 businesses in which you or other principles of First

1 Republic Group Realty, in which you own or they own a
2 controlling interest, has that business filed for
3 bankruptcy before?

4 MR. KELLY: Mark Stern, the former principle
5 president of First Republic Group Realty had several
6 other companies that he owned all or part of. My
7 understanding of it is several of those have filed
8 bankruptcy previously. I could not name them though.

9 MR. KHODOROVSKY: Can you name any?

10 MR. KELLY: No.

11 MR. KHODOROVSKY: Counsel, maybe can you
12 help?

13 MR. ROSEN: I cannot. I have no information
14 about former bankruptcies.

15 MR. KHODOROVSKY: Okay. Has the company, by
16 company I mean First Republic Group Realty, LLC, has
17 it opened a post-petition bank account, or has it
18 obtained an appropriate order from the Court
19 authorizing it to use its existing bank account?

20 MR. KELLY: Yes, we've obtained
21 authorization from the court to continue to operating
22 using the cash management agreements in place and
23 cash collateral order.

24 MR. KHODOROVSKY: Now, let me ask you this.
25 In which banks does First Republic Group Realty to

1 the best of your knowledge currently maintain bank
2 accounts?

3 MR. KELLY: There are lock box accounts
4 maintained by Harris Bank in which all tenant rents
5 have been directed to be deposited.

6 MR. KHODOROVSKY: Is that all, or are there
7 other bank accounts?

8 MR. KELLY: Well, those--there are--there's
9 a bank account at Wachovia that's in the name of
10 First Republic but that's pledged to City Group as
11 collateral for its loan.

12 MR. KHODOROVSKY: Now, do you know the
13 addresses of the bank branches where these accounts
14 are located?

15 MR. KELLY: It's not a branch. It's a lock
16 box in Chicago. There are--it's Treasury Way in
17 Chicago, Illinois. Each of the accounts has a
18 different PO box attached to it. We can get you a
19 list of the accounts if you need the addresses.

20 MR. KHODOROVSKY: Yes, I would like the
21 addresses of the accounts. Counsel, would it be
22 possible to provide my office with a list of these
23 addresses in the next two weeks by August 19th?

24 MR. ROSEN: Sure.

25 MR. KHODOROVSKY: And that would also

1 include the Wachovia account, the address of the
2 branch or the P.O. Box where it is.

3 MR. KELLY: That's fine.

4 MR. KHODOROVSKY: Does First Republic Group
5 Realty presently carry any insurance policies for
6 fire, theft, liability, worker's compensation,
7 disability, vehicle, product liability, flood, or
8 other coverage customary or prudent in the industry?

9 MR. KELLY: Yes, on all of the properties.

10 MR. KHODOROVSKY: Do you have copies of any
11 of the insurance certificates or insurance binders
12 with you today?

13 MR. KELLY: I do not. I didn't realize I
14 needed them. We can get you those though.

15 MR. KHODOROVSKY: Okay, I would like to
16 request that by--again, by August 19th, counselor
17 would it be possible to provide my office with copies
18 of the insurance certificates?

19 MR. ROSEN: Okay, for every property?

20 MR. KHODOROVSKY: For all of the properties,
21 and if these certificates don't cover a particular
22 property with let's say their worker's compensation,
23 let's say worker's compensation for the entire
24 company, then those should also be provided.

25 MR. ROSEN: Okay.

1 MR. KELLY: The worker's compensation may
2 actually be provided by JLL as part of our management
3 agreement, but we can get you all the detail on all
4 that.

5 MR. KHODOROVSKY: I would appreciate it.
6 Has First Republic Group Realty opened post-
7 bankruptcy books and records?

8 MR. KELLY: We are in the process of
9 engaging accountants that will allow us to do that.

10 MR. KHODOROVSKY: When do you expect to have
11 accountants retained?

12 MR. KELLY: I would say in the next two
13 weeks.

14 MR. KHODOROVSKY: Currently, where are the
15 books and records of the company located?

16 MR. ROSEN: I'll let Mr. Kelly answer, but
17 from counsel's point of view, again Jones Lang
18 Lasalle keeps the records of all tenant receipts,
19 property taxes, lease payments, everything with
20 respect to the property, and they provide us with
21 information and copies of whatever we need. So, with
22 respect to the properties Jones Lang Lasalle is a
23 full-service management company. With respect to the
24 other books and records, which we're investigating
25 and we don't know the extent or the existence of

1 which it's hard to say.

2 MR. KHODOROVSKY: But what about--what
3 about--what about ones that are not with Jones Lang
4 Lasalle and ones of whose existence you're aware?
5 Where are those located?

6 MR. ROSEN: First Republic Group--the only
7 thing it owns are the 11 properties, so all of the
8 books and records so far that have been needed since
9 Citigroup foreclosed have been property-related. All
10 of the cash flow for the company can be tracked
11 through the lock box agreement or the lock box
12 accounts, and the sweep account held by Wachovia.
13 And that's maintained in combination with Jones Lang
14 Lasalle and Wachovia who services the loan.

15 MR. KHODOROVSKY: So let me ask you this
16 question, a more direct one then. Are there any
17 books and records of First Republic Group Realty, LLC
18 located at your offices of 388 Greenwich Street in
19 New York, NY?

20 MR. KELLY: There are copies of the
21 financial statements that we've received from Jones
22 Lang Lasalle. We have access through Jones Lang
23 Lasalle's share point site where we can obtain
24 anything that we need on any of the properties
25 directly or we can ask Jones Lang Lasalle for it and

1 they deliver it to us. So it's maintained at 388
2 Greenwich Street through our computer systems.

3 MR. KHODOROVSKY: Okay, can you briefly
4 describe the background and the nature of the
5 business of First Republic Group Realty?

6 MR. KELLY: Sure. It was established in
7 July of 2007 to acquire 11 shopping centers from
8 Colonial Realty. At the time, it borrowed, First
9 Republic Group Realty borrowed \$111 million from
10 Citigroup, and then there was a \$15 million mezzanine
11 loan that was provided to its parent entity, FRGR
12 also by Citigroup. It's been run for two years
13 owning and operating the 11 shopping centers.

14 MR. KHODOROVSKY: Who started the company?

15 MR. KELLY: The former owner, Mark Stern.

16 MR. KHODOROVSKY: Currently who are the
17 shareholders or equity holders of First Republic
18 Group Realty, LLC?

19 MR. KELLY: At this point, First Republic
20 Group Realty is owned by Commercial Liquidation
21 Properties One.

22 MR. ROSEN: LLC.

23 MR. KELLY: LLC, sorry.

24 MR. KHODOROVSKY: And how much--it owns 100%
25 of the equity in that company?

1 MR. KELLY: Yes, which it acquired through
2 foreclosure on June 23rd, 2009.

3 MR. KHODOROVSKY: So the foreclosure that
4 you have discussed, was that the only change in stock
5 ownership since the company was founded?

6 MR. KELLY: Yes.

7 MR. ROSEN: Well, as far as you know.

8 MR. KELLY: As far as I know, yeah.

9 MR. ROSEN: Because you can't be sure of
10 whether the stock holders changed prior to the
11 foreclosure.

12 MR. KELLY: That's true.

13 MR. KHODOROVSKY: Do you yourself or any
14 other present stockholders, officers, or directors of
15 the company, do they have controlling stock ownership
16 interest in any other business?

17 MR. KELLY: I don't.

18 MR. ROSEN: I'm sorry, could you repeat the
19 question, any officer or director?

20 MR. KHODOROVSKY: With regards to current
21 officers or directors of the company including any
22 equity holders of the company, do they have
23 controlling stock ownership interest in any other
24 business?

25 MR. KELLY: I cannot speak to the

1 independent directors and what they own of any other
2 companies. I can--

3 MR. KHODOROVSKY: [interposing] What about
4 not independent directors?

5 MR. ROSEN: What about you?

6 MR. KELLY: Well, I can tell you I do not
7 own anything. I do not know for Bill Cahill
8 [phonetic] or Phil Holmes [phonetic].

9 MR. ROSEN: I can follow up. This is Adam
10 Rosen. I'll follow up with regard to the other board
11 members to find out if they have controlling stock
12 interest in any other company.

13 MR. KHODOROVSKY: Yes.

14 MR. ROSEN: Okay, I'll ask that question.

15 MR. KHODOROVSKY: Can you provide that
16 information to us by letter by August 19th?

17 MR. ROSEN: Same deadline.

18 MR. KHODOROVSKY: Now, in the course of your
19 investigation with regards to Mr. Stern, have you
20 been able to find out if Mr. Stern has controlling
21 stock ownership interest in any companies, any other
22 companies?

23 MR. ROSEN: Well, let me interrupt.

24 MR. KHODOROVSKY: Yeah.

25 MR. ROSEN: The investigation that the

1 company may be doing with respect to Mr. Stern is
2 confidential, and I'm not sure it's something we
3 should say on the record if there's something for him
4 to say at all. I'm not sure there is. So, is it
5 necessary to talk about the merits of the
6 investigation on the record?

7 MR. KHODOROVSKY: I'm just asking about
8 facts. If you're confident in disclosing--are you
9 confident in disclosing any other companies that you
10 know right now in which you know Mr. Stern has a
11 controlling stock ownership interest?

12 MR. KELLY: I'm not comfortable discussing
13 any of it at this point.

14 MR. KHODOROVSKY: Okay, let me ask you this
15 then. Currently, officers and directors of First
16 Republic Group Realty, do they get compensated?

17 MR. KELLY: The independent directors do.

18 MR. KHODOROVSKY: And how much do they get
19 compensated?

20 MR. KELLY: Fifty thousand dollars a year
21 each for the independent directors.

22 MR. KHODOROVSKY: So there are two
23 independent directors, right?

24 MR. KELLY: Yes.

25 MR. KHODOROVSKY: So it's a total of

1 \$100,000 per year.

2 MR. KELLY: Yes, plus expenses.

3 MR. KHODOROVSKY: And non-independent
4 directors, do they get compensated from the company?

5 MR. KELLY: Non-independent directors are
6 employees of Citigroup.

7 MR. ROSEN: And do they get compensated?

8 MR. KHODOROVSKY: do they get compensated
9 from First Republic Group Realty?

10 MR. KELLY: No, they do not. They are
11 compensated by Citigroup.

12 MR. KHODOROVSKY: With regards to all other
13 employees of First Republic Group Realty both full-
14 time and part-time, what's the payroll yearly or
15 monthly?

16 MR. KELLY: There are no other employees of
17 First Republic Group Realty at this point.

18 MR. KHODOROVSKY: What about independent
19 contractors?

20 MR. KELLY: Again, at this point we have not
21 engaged any other independent contractors. We hired
22 Jones Lang Lasalle, continue to engage Jones Lang
23 Lasalle to manage the properties for us. They are
24 paid a management fee of approximately \$54,000 a
25 month plus payroll expenses and other miscellaneous

1 expenses incurred by them. In addition, they have
2 engaged on our behalf security companies, landscaping
3 companies and those types of entities.

4 MR. KHODOROVSKY: I understand. So you
5 spoke about payroll expenses that you advance to
6 Jones Lang Lasalle. How much are these payroll
7 expenses monthly?

8 MR. KELLY: Can I check my--

9 MR. KHODOROVSKY: [interposing] You can
10 definitely, if you need to, check some document or
11 notes.

12 MR. KELLY: Yeah.

13 MR. KHODOROVSKY: Definitely, take your
14 time.

15 MR. KELLY: Okay. It varies, but it's
16 probably \$500,000 a year.

17 MR. KHODOROVSKY: Okay, that's fine.

18 MR. KELLY: Approximately.

19 MR. KHODOROVSKY: That's fine. Currently,
20 does the company owe the state, or owe any state or
21 the Internal Revenue Service withholding taxes with
22 regard to any pre-petition employee wages?

23 MR. KELLY: I do not know.

24 MR. KHODOROVSKY: Has the--do you know if
25 the Internal Revenue Service has filed a proof of

1 claim in the case?

2 MR. KELLY: I do not know.

3 MR. KHODOROVSKY: Okay, including payroll
4 that we have discussed before, what are the total
5 monthly expenses associated with running First
6 Republic Group Realty?

7 MR. KELLY: Including property operating
8 expenses?

9 MR. KHODOROVSKY: Yes.

10 MR. KELLY: Okay, including the management
11 fees, the payroll, it's approximately \$550,000 a
12 month. On top of that that's operating expenses.
13 That does not include real estate taxes, which would
14 average about \$200,000 more a month and also does not
15 include insurance premiums, which would be around
16 \$30,000 a month.

17 MR. KHODOROVSKY: Has the company undertaken
18 any efforts to cut any expenses?

19 MR. KELLY: Since the bankruptcy?

20 MR. KHODOROVSKY: Yes, or even before the
21 bankruptcy to the best of your knowledge.

22 MR. KELLY: Prior to the bankruptcy, Jones
23 Lang Lasalle and First Republic had been diligently
24 trying to reduce expenses as the occupancy of the
25 properties had dropped. The number of employees were

1 reduced so they were trying to reduce expenses.

2 MR. KHODOROVSKY: Is the company late or
3 behind on any post-petition payments?

4 MR. KELLY: It's a little difficult to
5 explain. The way the cash management system works is
6 there is a monthly disbursement for operating
7 expenses, which is scheduled for the 9th of each
8 month. So, there may be some bills that are
9 outstanding now, which will be brought current next
10 week. So, if someone submitted an expense July 15th,
11 they have not been paid yet, but they will be paid as
12 the waterfall is dispersed on August 9th.

13 MR. KHODOROVSKY: Now, is the company up to
14 date with any post-petition rent payments?

15 MR. KELLY: There are no--as far as I know
16 there are no post-petition rent payments that the
17 company owes to anyone.

18 MR. KHODOROVSKY: Now, I presume the company
19 is currently operating, right?

20 MR. KELLY: Yes.

21 MR. KHODOROVSKY: In order to continue its
22 operations, will the company need any licenses, or
23 does the company need to maintain any licenses in
24 order to operate?

25 MR. ROSEN: I'm not aware of any licenses?

1 MR. KHODOROVSKY: With regards to the
2 properties that the company owns, during the past
3 year have there been any fire code violations or
4 municipal code violations on the premises of the
5 companies?

6 MR. KELLY: I couldn't say. We would have
7 to check with Jones Lang Lasalle, and they may not
8 even know.

9 MR. KHODOROVSKY: Okay, how long do you think
10 it will take you to find that out?

11 MR. ROSEN: We'll do it in the same time
12 frame if that's okay, but I just want to be clear.
13 Fire code violations?

14 MR. KHODOROVSKY: Or municipal or other
15 municipal code violations on the properties.

16 MR. ROSEN: Okay, I'll find that out.

17 MR. KHODOROVSKY: Okay, so I would like that
18 information if possible again by August 19th. If you
19 need additional time for that, give me a call or
20 write to me.

21 MR. ROSEN: That's fine.

22 MR. KHODOROVSKY: Now you've stated before,
23 Mr. Kelly that the company does not owe rent to
24 anybody, but with regards to personal property, is
25 the company leasing any personal property, like

1 vehicles or equipment?

2 MR. KELLY: There are vehicles that are
3 owned and used at a couple of the properties. My
4 understanding is that those vehicles are owned
5 outright.

6 MR. KHODOROVSKY: Are there any car loans
7 with regards to those vehicles?

8 MR. KELLY: Not as far as I know. Again, if
9 First Republic Group entered into any leases for
10 office equipment or any other personal property, the
11 current ownership of First Republic Group is not
12 aware of that.

13 MR. KHODOROVSKY: Let's go on. Has the
14 company factored any of its accounts receivable?

15 MR. KELLY: There are - - receivables from
16 the tenants that we will be discussing with Jones
17 Lang Lasalle. As rent payments remain outstanding,
18 negotiations are had with tenants, that type of
19 thing.

20 MR. KHODOROVSKY: But currently none.

21 MR. ROSEN: Excuse me, let me interrupt.
22 The question was were any of the companies accounts
23 receivables factored meaning did you go to a factor
24 finance company and--

25 MR. KELLY: [interposing] Well, again, not

1 as far as--not as far as I know.

2 MR. ROSEN: That was the intent of the
3 question, right, factored?

4 MR. KHODOROVSKY: Yes, I mean if you--but if
5 you intend to factor any of them in the future,
6 please--

7 MR. KELLY: [interposing] I don't believe
8 so. I don't believe so.

9 MR. KHODOROVSKY: Does the company have any
10 secure creditors presently?

11 MR. KELLY: Yes.

12 MR. KHODOROVSKY: Who are the secured
13 creditors?

14 MR. KELLY: Citigroup.

15 MR. KHODOROVSKY: And what assets of the
16 debtor are debtor are covered by Citigroup's liens?

17 MR. KELLY: All eleven of the properties are
18 secured by a mortgage or mortgages.

19 MR. KHODOROVSKY: What about personal
20 property? Do these liens extend to the personal
21 property of the debtor, including receivables?

22 MR. ROSEN: I think they're blanket liens on
23 substantially all of the assets including
24 receivables.

25 MR. KHODOROVSKY: Has the debtor obtained a

1 cash collateral order from the court with regards to
2 the use of the assets for which its secured creditors
3 have a lien?

4 MR. KELLY: Yes, temporary.

5 MR. KHODOROVSKY: Since the bankruptcy
6 filing, what have been the total revenues of the
7 company?

8 MR. KELLY: Since the bankruptcy filing?

9 MR. KHODOROVSKY: Gross revenues.

10 MR. KELLY: I understand. It's probably--we
11 would have to check the bank statements or the lock
12 boxes. My estimate is between a million and a half
13 and two million dollars in rents that have been
14 received.

15 MR. KHODOROVSKY: So currently is the
16 company operating at a profit or a loss?

17 MR. KELLY: Profit.

18 MR. KHODOROVSKY: To the best of your
19 knowledge in 2008 did the company operate at a profit
20 or at a loss?

21 MR. KELLY: A profit.

22 MR. KHODOROVSKY: How much was its profit in
23 2008? If you need to consult your notes, go ahead.

24 MR. KELLY: No, I'm hesitating not because I
25 need to consult my notes. The cash flow generated

1 from the property that I'm aware of after payment of
2 debt service was approximately \$4 to \$5 million.

3 MR. KHODOROVSKY: Okay, has the--

4 MR. ROSEN: [interposing] Per year?

5 MR. KELLY: For the year, and the reason I
6 hesitate is that there's a question on whether or not
7 all of the rents that were received were generated by
8 the properties, were run through the lock box
9 account. So there may have been additional income
10 that I am not aware of.

11 MR. KHODOROVSKY: Okay. In 2007, to the
12 best of your knowledge did the company have a profit
13 or a loss, for the part of 2007 it operated?

14 MR. KELLY: For the few months, I believe it
15 operated at approximately break even in 2007 again
16 after debt service.

17 MR. KHODOROVSKY: Now, has the company filed
18 its 2008 tax returns?

19 MR. KELLY: Not as far as I know.

20 MR. KHODOROVSKY: What about 2007 tax
21 returns?

22 MR. KELLY: I do not know.

23 MR. KHODOROVSKY: Counsel, are you aware as
24 to whether 2008 or 2007 tax returns have been filed?

25 MR. ROSEN: We are not aware, and we don't

1 know the identity of the company's former accountant,
2 but we will find out.

3 MR. KHODOROVSKY: Okay, counsel, I would
4 like to request that since you don't know the answer
5 to the question. Let me--let me put it this way. If
6 the company will be filing any tax returns that have
7 not been filed in the past, I would like to get
8 copies of those returns when they're filed.

9 MR. ROSEN: Sure.

10 MR. KHODOROVSKY: Okay, now if there have
11 been tax returns filed in the past, please as you
12 locate them, please provide my office with copies.

13 MR. ROSEN: We will do so.

14 MR. KHODOROVSKY: Okay. Let's move on.
15 Going forward the next six months, what do you expect
16 the company's revenues will be?

17 MR. KELLY: Over the next six months, the
18 revenue should be approximately \$8 to 10 million.

19 MR. KHODOROVSKY: Total?

20 MR. KELLY: Revenue.

21 MR. KHODOROVSKY: So will the company have a
22 profit or a loss?

23 MR. KELLY: As of now it's projected to have
24 a profit.

25 MR. KHODOROVSKY: What's the basis for the

1 projection?

2 MR. KELLY: Of the \$10 million, out of the
3 \$10 million expenses of approximately--operating
4 expenses of approximately \$3.5 to \$4 million will be
5 paid, real estate taxes totalling about a million and
6 a half dollars will be paid, debt service on the \$111
7 million mortgage will be paid of another \$3 to \$4
8 million assuming that LIBOR stays where it is today.

9 MR. KHODOROVSKY: Okay.

10 MR. KELLY: If LIBOR spikes or increases
11 significantly, the company will not operate at a
12 profit because the interest rate on the mortgage will
13 increase.

14 MR. KHODOROVSKY: I understand.

15 MR. KELLY: Okay.

16 MR. KHODOROVSKY: Now let's talk about the
17 properties. Can you give me the addresses of the
18 properties?

19 MR. KELLY: All 11 properties?

20 MR. KHODOROVSKY: Yes. Do you have them?

21 MR. ROSEN: We have them. I don't know if
22 we have them with us.

23 MR. KELLY: I don't know if I have them with
24 me.

25 MALE VOICE: You've got the management

1 agreement. It's got copies.

2 MR. ROSEN: We have a copy of the management
3 agreement. We can give that to you, and I can also
4 provide that to you in writing. That's going to be
5 part of what's going to be on the schedules as well.

6 MR. KHODOROVSKY: I understand, but we
7 currently don't have schedules.

8 MR. ROSEN: That's correct.

9 MR. KHODOROVSKY: So in the absence of the
10 schedules, I'd like to find out at least the
11 addresses of the properties.

12 MR. KELLY: I'll read them out to you.

13 MALE VOICE: This is the management
14 agreement and the schedule - -.

15 MR. KELLY: Okay, that's fine.

16 MR. KHODOROVSKY: Are you ready?

17 MR. KELLY: Sure.

18 MR. KHODOROVSKY: Go ahead.

19 MR. KELLY: Bell Road Shopping Center, 2701
20 to 2787 Bell Road, Montgomery, Alabama 36117.

21 MR. KHODOROVSKY: B-1-1.

22 MR. KELLY: B-e-l-l Road.

23 MR. KHODOROVSKY: Okay, go ahead.

24 MR. KELLY: Brit David Shopping Center.

25 MR. ROSEN: Couldn't he just provide you a

1 list instead of you sitting here writing each one of
2 them?

3 MR. KHODOROVSKY: That's possible, but I
4 mean unless creditors are interested in knowing where
5 the properties are.

6 MALE VOICE: We know where the properties
7 are.

8 MR. KELLY: We can get you a list.

9 MR. KHODOROVSKY: Oh, you can get--okay, so
10 I would like to request by--okay, so I would like to
11 request a list by August 19th, is that possible?

12 MR. KELLY: Sure.

13 MR. KHODOROVSKY: A list of all the
14 properties with the addresses. Again, the reason I'm
15 asking is because the pleading is currently with the
16 court. I'm not sure they contain the list of
17 properties.

18 MR. ROSEN: They don't.

19 MR. KHODOROVSKY: Okay, now you've
20 previously spoken that there's a managing agent here
21 on the property, Jones Lang Lasalle. Is that
22 correct?

23 MR. KELLY: Yes.

24 MR. KHODOROVSKY: Now, do you know what's
25 the managing agent's address?

1 MR. ROSEN: It's also on the management
2 agreement. I'll find it. I might as well. We're
3 looking through the Jones Lang Lasalle Management
4 Agreement, which attached to this has a list of all
5 the properties and - - noted. There's actually two
6 addresses. One for a notice, and one to the manager.

7 MR. KHODOROVSKY: Whichever one you use on a
8 regular basis.

9 MR. ROSEN: You want to--

10 MR. KELLY: [interposing] Yeah, that
11 Atlanta address is changing.

12 MR. KELLY: We can give them that address.
13 I don't have the--

14 MR. ROSEN: [interposing] I can provide
15 that to you by the end of the day.

16 MR. KHODOROVSKY: Okay, so if possible by
17 the end of the day if you could e-mail me the
18 address.

19 MR. ROSEN: Sure, e-mail the address of
20 Jones Lang Lasalle.

21 MR. KHODOROVSKY: Okay, now you've
22 previously spoken of that management agent charges
23 the company about \$54,000 a month plus payroll
24 expenses?

25 MR. KELLY: Yes.

1 MR. KHODOROVSKY: Now, is--does--is Jones
2 Lang Lasalle in any way related to First Republic?
3 In other words, does it share any common ownership
4 with First Republic, common principles, insiders?

5 MR. KELLY: No.

6 MR. ROSEN: You're talking about the current
7 management of First Republic?

8 MR. KHODOROVSKY: Both current or former if
9 you know, if you know of any connections.

10 MR. ROSEN: Do you know of any connection
11 between the former management?

12 ROBERT LEE: This is Robert Lee and - - for
13 Jones Lang Lasalle Americas. I know of no
14 connections, ownership or otherwise, between Jones
15 Lang Lasalle Americas, and First Republic Group.

16 MR. KHODOROVSKY: Okay. As part of the
17 reorganization of the company, is the company
18 contemplating selling the business or substantially
19 all of its assets?

20 MR. KELLY: We are considering it, yes.

21 MR. KHODOROVSKY: Please answer the next
22 questions, the next set of questions to the best of
23 your ability. If you don't know or if it's
24 confidential, let me know. Outside of the ordinary
25 course of business, were any of the company's assets

1 transferred to any other businesses or persons during
2 the year before the bankruptcy filing?

3 MR. KELLY: I do not know.

4 MR. KHODOROVSKY: Since the company filed
5 for bankruptcy have any debts of the company, have
6 any pre-petition debts of the company been paid? In
7 other words, if the company had a pre-petition debt,
8 have any of them been paid after the bankruptcy
9 filing?

10 MR. KELLY: I don't believe so.

11 MR. KHODOROVSKY: With regards to both
12 current and former management, have any of the
13 officers, directors, equity holders or partners of
14 the company made any loans to it?

15 MR. KELLY: Not as far as I know.

16 MR. KHODOROVSKY: Okay, let me flip the
17 question. During--has the company itself ever made
18 loans to anybody including employees, officers,
19 directors, shareholders, equity holders, partners?

20 MR. KELLY: I do not know.

21 MR. KHODOROVSKY: Have any of the company's
22 officers, directors, shareholders, equity holders or
23 partners, made capital contributions to the company?

24 MR. KELLY: Again, I do not know given our
25 limited period of ownership. I can't say what

1 happened prior to that.

2 MR. KHODOROVSKY: Has the company ever
3 repaid any personal loans on behalf of its employees,
4 including shareholders, equity holders, officers, or
5 directors?

6 MR. KELLY: The same answer unfortunately.
7 I don't know.

8 MR. KHODOROVSKY: You have previously spoken
9 about that the company has a--had a subsidiary or a
10 parent entity, FRGR.

11 MR. KELLY: Yes.

12 MR. KHODOROVSKY: With regards to FRGR, has
13 the company, by company I mean First Republic Group
14 Realty has it ever lent money to FRGR?

15 MR. KELLY: I do not know.

16 MR. KHODOROVSKY: Has the debtor ever
17 borrowed any money from FFRGR?

18 MR. KELLY: Again, I don't know.

19 MR. KHODOROVSKY: Has the debtor ever paid
20 for any expenses associated with running FFRGR? If
21 you don't know--

22 MR. KELLY: [interposing] I don't know.

23 MR. KHODOROVSKY: Now with regards to the
24 current ownership of the company, mainly with regards
25 to the current 100% equity holder, Commercial

1 Liquidation Properties One, LLC, has the debtor ever
2 lent any money to Commercial Properties One?

3 MR. KELLY: No.

4 MR. KHODOROVSKY: Has the debtor ever
5 borrowed any money from Commercial Properties One,
6 LLC?

7 MR. KELLY: No.

8 MR. KHODOROVSKY: Has the debtor ever paid
9 for any expenses associated with running Commercial
10 Properties Liquidation One LLC?

11 MR. KELLY: No.

12 MR. KHODOROVSKY: Before the company filed
13 for bankruptcy, has the company paid any bonuses,
14 dividends or special fees to anybody?

15 MR. KELLY: I do not know.

16 MR. KHODOROVSKY: Currently is the company
17 subject to any audits or investigations by any
18 government entities?

19 MR. ROSEN: To the best of your knowledge?

20 MR. KHODOROVSKY: Anything from a State
21 Sanitation Department to an IRS audit?

22 MR. KELLY: I do not know.

23 MR. KHODOROVSKY: Mr. Kelly, presently are
24 you personally subject to any audits pending - -
25 investigations by any government entities?

1 MR. KELLY: No.

2 MR. KHODOROVSKY: In the last five years,
3 has the company been subject to any audits or
4 investigations by any government entities?

5 MR. KELLY: I don't know.

6 MR. KHODOROVSKY: Have you yourself been
7 personally subject to any audits or investigations by
8 any government entities in the last five years?

9 MR. KELLY: No.

10 MR. KHODOROVSKY: Is the company currently a
11 plaintiff or a defendant in any currently pending
12 litigation?

13 MR. KELLY: Yes.

14 MR. KHODOROVSKY: Can you please describe
15 any currently pending litigation in which the company
16 is involved? You don't need to lay out the basis for
17 it. Just tell me what lawsuits are pending where,
18 state or federal court, things like that?

19 MR. ROSEN: Do you want me to give it a
20 shot? There are two pending actions. One is an
21 action regarding Amusement Industry Inc. in federal
22 district court, southern district of New York. I
23 believe the company is the defendant in that action.
24 And there's another action in New York State Supreme
25 Court involving also Amusement Industry Inc., and the

1 company another other parties. Both are pending.

2 MR. KHODOROVSKY: And the other litigation
3 in state court is the debtor a plaintiff or
4 defendant?

5 MR. ROSEN: State court, maybe the state
6 court might be just--might be Amusement Industry Inc.
7 versus Citigroup.

8 MR. KHODOROVSKY: But what is the debtor's
9 role, not Citigroup's role? Is the debtor a
10 plaintiff or defendant?

11 MR. ROSEN: I'm not sure the debtor is a
12 party.

13 MR. KELLY: I think the debtor is a
14 plaintiff in that.

15 MR. ROSEN: The debtor is a plaintiff in
16 that, and Citigroup is the defendant, but that list
17 of litigation will be provided on the schedules
18 obviously.

19 MR. KHODOROVSKY: I understand.

20 MALE VOICE: To the extent there is slip and
21 falls and minor collections - - we'll provide that
22 list.

23 MR. ROSEN: Yeah, there may be a lot of other
24 litigation running--

25 MALE VOICE: [interposing] That Lang

1 Lasalle may be handling.

2 MR. KELLY: Regarding the properties that
3 Jones Lang Lasalle will have.

4 MR. KHODOROVSKY: Okay, now briefly can you
5 describe why the debtor filed for bankruptcy?

6 MR. ROSEN: Well, to qualify he's already
7 testified that he didn't sign the petition. He
8 wasn't an officer at the time and he didn't make the
9 decision to file bankruptcy.

10 MR. KHODOROVSKY: But to the best of your
11 knowledge.

12 MR. ROSEN: Why the former officers decided
13 to do it?

14 MR. KHODOROVSKY: Well, why the company
15 filed. I'm not asking you, sir, to get into the mind
16 of Mr. Stern. To the best of your knowledge, what
17 forced the company to go into a chapter 11? Was
18 there a foreclosure of any kind?

19 MR. KELLY: It was the pending foreclosure
20 of the Mezzanine entity.

21 MR. KHODOROVSKY: Okay.

22 MR. ROSEN: Yeah.

23 MR. KHODOROVSKY: Now, let's look forward.
24 So, in order to emerge successfully from Chapter 11
25 what would the company need to do?

1 MR. KELLY: We are still working through
2 what the company consists of, what it owns, what it
3 owes, so it's hard to say at this point what the
4 company would need to do to emerge successfully.

5 MR. KHODOROVSKY: How long do you think that
6 investigation would take, six months, nine months,
7 twelve months, two years?

8 MR. KELLY: We are hoping to have a plan in
9 place within the next 60 days.

10 MR. KHODOROVSKY: A plan of reorganization?

11 MR. KELLY: That would allow the company to
12 emerge from the bankruptcy by the end of the year.

13 MR. ROSEN: The interim cash collateral
14 order, this is Adam Rosen again. The interim cash
15 collateral order requires that a plan be filed by
16 September 30th, 2009. That's not to say we may not
17 ask to extend that period, but right now that's
18 what's in the order.

19 MR. KHODOROVSKY: I understand. Will the
20 company--in order to reorganize will the company then
21 need additional funding?

22 MR. KELLY: As long as LIBOR stays where it
23 is, the company should not need any additional
24 financing.

25 MR. KHODOROVSKY: Will the company need to

1 hire any additional staff as part of any
2 reorganization?

3 MR. KELLY: I don't believe so outside of
4 the accountants we mentioned earlier.

5 MR. KHODOROVSKY: Will the management of the
6 company change at all as the case is going forward?
7 Are there any anticipated changes in management?

8 MR. KELLY: None at this time.

9 MR. KHODOROVSKY: Now, you previously
10 referred to the fact that the company will be
11 retaining accountants. Are there any other
12 professionals the company would need to retain, like
13 financial advisors, special counsel, things like
14 that?

15 MR. KELLY: We may retain a real estate
16 broker to market the assets for us as part of the
17 sale if that's a path that we choose to go down.

18 MR. KHODOROVSKY: Okay. I'm almost done
19 with my questions. Let me--before I finish up I'd
20 like to briefly go through with you certain
21 administrative requirements that are necessary as
22 part of being in Chapter 11. One of the
23 administrative requirements, I don't know if your
24 counsel has discussed it with you, Mr. Kelly, but is
25 to file monthly operating reports. And what I wanted

1 to give you right now, this is from my office's web
2 site. And it's available on my office's web site as
3 an Exel form. This is a monthly operating report.

4 MR. KELLY: Okay.

5 MR. KHODOROVSKY: It's fillable as an Excel
6 form. You can download it and fill it out. It needs
7 to be signed and filed with the Court.

8 MR. KELLY: Okay.

9 MR. KHODOROVSKY: These monthly operating
10 reports must be filed promptly each and every month
11 while the company is in Chapter 11 regardless of
12 whether it is operating or not. These monthly
13 operating reports must comply with the U.S. Trustee
14 Guidelines, and the form that you have, the blank
15 form that you have complies with U.S. Trustee
16 guidelines and needs to be filled out. And bank
17 statements need to be attached.

18 The next administrative requirement
19 necessary for this case to go on is the payment of
20 quarterly fees. These - - quarterly fees that are
21 due each and every quarter that the company is in
22 Chapter 11. So, the company filed for Chapter 11 in
23 the second quarter of 2009, and we are currently in
24 the third quarter. So, the quarterly fee payments
25 for second quarter were due on the 31st of July and

1 the company currently owes \$650 in estimated U.S.
2 Trustee quarterly fees.

3 MR. KELLY: - - .

4 MR. KHODOROVSKY: Well, that's--again, the
5 amount is an estimate. The estimate is subject to a
6 revision. When the company will submit monthly
7 operating reports, those will contain disbursements,
8 and we will use those disbursements to determine what
9 the quarterly fees are. That's why what you're
10 seeing now is purely an estimate. As we get
11 different figures, the estimates may change. Okay,
12 now additionally if the company is delinquent in
13 paying quarterly fees, under 31 USC Section 3717,
14 interest will be assessed on all past due chapter 11
15 quarterly fees. Do you understand these
16 requirements?

17 MR. KELLY: I do. Can I ask a question?

18 MR. KHODOROVSKY: Go ahead.

19 MR. KELLY: If it's going to take us another
20 couple of weeks to submit the report, can we pay the
21 estimated fee now?

22 MR. KHODOROVSKY: You can pay the estimated
23 fees now, and then if the amount were proved to be
24 lower, it would be adjusted to a credit balance.

25 MR. KELLY: Okay.

1 MR. ROSEN: Okay, we'll do that.

2 MR. KHODOROVSKY: Do you understand these
3 requirements, both of you?

4 MR. KELLY: I do.

5 MR. ROSEN: I do.

6 MR. KHODOROVSKY: One thing I have to
7 explain to you is that if the company consistently
8 fails to file operating reports timely or
9 consistently fails to pay quarterly fees timely, this
10 may cause the United States Trustees Office to seek
11 to dismiss this case or to convert this to a Chapter
12 7 liquidation case. Do you understand that?

13 MR. KELLY: I do. I have one other
14 question.

15 MR. KHODOROVSKY: Go ahead.

16 MR. KELLY: Given the lack of access to pre-
17 petition operating information for the company, are
18 we permitted to submit this monthly operating report
19 based on what we know with the caveat that we still
20 would not have all the information from the company?

21 MR. KHODOROVSKY: Well, the op report is
22 supposed to cover periods after the bankruptcy
23 filing.

24 MR. KELLY: Okay, that's fine.

25 MR. KHODOROVSKY: So, if that--now, if

1 filing a post, filing your report covering your post-
2 bankruptcy period requires you to obtain pre-
3 bankruptcy information and you're having difficulty
4 and you can't fill something out because of that,
5 please give me a call.

6 MR. KELLY: Okay.

7 MR. KHODOROVSKY: And your counsel can give
8 me a call, and we can go over it if there's an issue
9 that you can't fill something out for a post-
10 bankruptcy period.

11 MR. KELLY: Okay.

12 MR. KHODOROVSKY: Now, before I turn the
13 floor over to creditors, I just want to briefly
14 summarize all of the information that I have
15 requested with the deadlines for providing it. Okay,
16 here's the information I requested on the deadlines.
17 By August 19th I wanted to ask to obtain a list of all
18 the bank accounts and their addresses. Also by
19 august 19th I want to get a copy of all of the
20 insurance certificates. Also by letter on August
21 19th, information if there's been any changes in stock
22 ownership in the company since founding other than
23 the foreclosure. Also, by August 19th I requested
24 information with regards to fire code or municipal
25 code violations on the properties. Also I had

1 requested copies of the tax returns when filed or
2 when found. Also, by August 19th in writing I'd like
3 to get a list with addresses of all the properties.

4 MR. ROSEN: Also the address of Jones Lang
5 Lasalle.

6 MR. KHODOROVSKY: Yes, exactly, the address
7 of Jones Lang Lasalle.

8 MR. ROSEN: Can I give that to you by
9 tomorrow since it's already--

10 MR. KHODOROVSKY: [interposing] That is
11 fine.

12 MR. ROSEN: Is that okay?

13 MR. KHODOROVSKY: That is absolutely fine.
14 Even if I get it by August 19th, it's also fine.

15 MR. ROSEN: I'll get it to you before then.

16 MR. KHODOROVSKY: Okay, excellent, and to
17 the extent you can provide any of the information
18 that I requested sooner, provide it to me sooner, but
19 August 19th is currently the deadline. So, let me do
20 this. I'm going to--the United States Trustee has
21 completed questions of this debtor at the present
22 time. Are there any creditors present here who have
23 questions? Creditors? Any creditors have any
24 questions here? Okay.

25 MR. ROSEN: Is there going to be an

1 adjourned hearing?

2 MR. KHODOROVSKY: Here's what I'd like to do
3 because we don't have schedules. What I'd like to do
4 is I'm going to adjourn this for a couple of months
5 to see if schedules come in, if a committee is
6 appointed, and then I'll make a determination if this
7 needs to be closed. Here's what I'm going to do.
8 Today is the 5th of August. So let's go forward a
9 couple of months to two months from today to a
10 Wednesday. We're going to put it for a holding date
11 of Wednesday, October 7th, 2009, at 2:30 p.m. Again,
12 it's a holding date. Mr. Kelly, here is what I mean
13 by a holding date. A hold date means you do not have
14 to come unless my office gets in touch with counsel
15 and tells that--tells you that--tells counsel you
16 have to come. Creditors, if you would like to ask
17 questions on October 7th, if you would like the
18 meeting on October 7th to be held, please let me know
19 in advance so I can get in touch with counsel and
20 tell counsel to make sure that Mr. Kelly comes by to
21 answer any questions. Okay, so before I close for
22 today, again, creditors, do any creditors have
23 questions they would like to ask right now of Mr.
24 Kelly? No? Okay, hearing silence, we are off the
25 record. Today is August 5th, 2009. The time is 3:26

1 p.m.

2 [OFF THE RECORD]

3 [END OF HEARING]

C E R T I F I C A T E

I, Trisha Ruckart, certify that the foregoing transcript of proceedings in the U.S. Trustee Office, Chapter 11, First Republic Group Realty, LLC, Case Number 09-13983 was prepared using the required transcription equipment and is a true and accurate record of the proceedings.

Signature: Trisha Ruckart

Date: September 4, 2009

Exhibit B

RESTRICTED USE APPRAISAL REPORT
OF
PORTFOLIO CONSISTING OF 11 RETAIL MALLS



DATES OF VALUATION

“Retrospective” Value: DECEMBER 31, 2008

PREPARED FOR
MR. MARK STERN
C/O FRGR MANAGING MEMBER, LLC
489 FIFTH AVENUE – 28TH FLOOR
NEW YORK, NY 10017

PREPARED BY
U.S. REAL ESTATE ADVISORS, INC
75 WOODLAND PARK DRIVE
TENAFLY, NJ 07670

October 15, 2009

Mr. Mark Stern
C/O FRGR Managing Member, LLC
489 Fifth Avenue – 28th Floor
New York, NY 10017

Re: **Restricted Use Appraisal Report**
(Portfolio consisting of 11 Retail Malls -
Multiple Locations)

Dear Mr. Stern,

In accordance with your request, we have inspected the above referenced property and have completed a Restricted Use Appraisal Report which provides a brief statement of the reasoning employed in arriving at the value estimate.

The purpose of this report is to estimate the “Retrospective” value as of December 31, 2008 of the Leased Fee interest in the property consisting of 11 Retail Malls. There is approximately 2,427,330 SF of rentable space and the vacancy rate as of YE2008 was estimated to be 20.1% and the projected vacancy rate for 2009 was estimated to be approximately 23%. Therefore, no consideration or addition to value was given for any leasing activity (or Letters of Intent) that would have increased the Portfolio value, except for the two Carmike leases (one in Decatur, AL and one in Staunton, VA) - which in 2008 were in the process of being executed. See comment in the Hypothetical Assumptions section of this report and note that the additional Hypothetical Value from these two leases were not included or added into our final reconciled value.

Our analysis is based primarily on interviews with the borrower and local real estate brokers; research of actual/asking sales prices of comparable properties, rent rolls, lease abstracts (where available), as well as our knowledge of the local market. The analysis, opinions, and conclusions were prepared by the undersigned. Basic assumptions and limiting conditions of the valuation are detailed in the attached report.

Due to the substantial increase in volatility in the capital markets, significant uncertainty has been created in the real property marketplace. It is difficult to predict what may happen in the capital markets going forward - as there has been a significant slowdown in recent sales and the ability of buyers to obtain financing. As a result, it is difficult to predict in our appraisal analysis what may happen to real property values over time.

SUMMARY OF SALIENT FACTS**FRGR's 11 Mall Portfolio**

Therefore, we utilized the best information in our valuation that was available at the time of our analysis. Given the on-going volatility in the marketplace, users of this appraisal should consider the current market uncertainty and the level of confidence they choose to place on these analyses and conclusions. All clients and users are reminded that the appraisal conclusions in this report are effective as of the date of value stated herein.

Mark Stern of FRGR Managing Member, LLC is the user recipient of this report and is a frequent user of appraisal reports, has knowledge of the appraisal terms used in this report and is very familiar with valuation concepts and principles. Any unintended readers of this report are advised to seek additional help in understanding the appraisal, and should not rely on or draw conclusions from any item in the report.

The Income Capitalization Approach was used for the valuation of the subject property. The Sales Comparison Approach was not used for this analysis since the portfolio was unique. The Cost Approach was not utilized to value the subject property since it is difficult to estimate the accrued depreciation, and participants in the market for the subject property rely most heavily on the Income Capitalization Approach.

Conclusion: "Retrospective" Value

We estimate the "Retrospective" market value of the Leased Fee interest in the subject properties, as of December 31, 2008 at:

ONE HUNDRED THIRTY SEVEN MILLION DOLLARS
\$137,000,000

Conclusion: "Retrospective" Value with \$8.0 Million in Escrow deposits held with Citigroup:

In addition to the retrospective real estate value, the client has requested that we indicate the addition of \$8.0 Million in escrow payments reportedly being held by Citigroup in various escrows due to ongoing litigation. Assuming that the escrow money has no liens against it and is given to a potential buyer at closing, the total would "hypothetically" be \$145,000,000, as shown below.

Real Estate Value	\$137,000,000
Cash in Escrow account	\$8,000,000
Total Real Estate & Escrow Deposits	\$145,000,000

EXTRAORDINARY ASSUMPTIONS & HYPOTHETICAL CONDITIONS:

- Valued as a Portfolio utilizing the consolidated financial statements from Jones Lang LaSalle since this transaction was a purchase of 11 property Portfolio upon which the loan was based.
- Individual allocated values for the Colonial Portfolio were based on prior appraisals completed by Integra Realty Resources for the benefit of CitiGroup, dated May-June, 2007 and were reduced from a value of approximately \$193,000,000 to reflect market conditions as of 12/31/08. These values are shown for informational purposes only in the Conclusion section of this report.
- As of 12/31/2008, the properties were assumed to continue to be maintained in good condition.
- Borrower has provided a copy of an offer of \$137,300,000 presented on November 7, 2008, however the sale was not consummated.
- Borrower has also provided an additional Letter of Intent from a potential buyer, dated April 6, 2008 for \$142,150,000 which also was not consummated.
- CitiGroup is holding \$8.0 million from the subject properties in various escrows due to an ongoing litigation.
- Financial information provided by the borrower for the month of April 2009 is an accurate reflection for the year 2009 estimate.
- Assumed (as per the borrower) that a hypothetical condition that a new tenant, Carmike, (whose lease was in the process of being executed in 2008) would have occupied 42,000 SF of space in both the Decatur and Staunton malls to have commenced in 2009, and would have resulted in an increase in the combined portfolio value by \$14,100,000 after incurring costs of approximately \$8,000,000.
- However, (as per the borrower), an additional hypothetical condition regarding the \$8,000,000 in costs is that Decatur Township would have reimbursed \$4,400,000 of the expected development cost and Staunton Township would have reimbursed \$2,500,000 of the improvement costs.

We would be pleased to respond to any questions concerning this report and any information used as the basis for the conclusions offered. It has been a pleasure to be of service to you in preparing the enclosed report.

Respectfully submitted,

US REAL ESTATE ADVISORS, INC.

Steven B. Wolgin

Steve Wolgin, MAI, CRE

Attachment

IDENTIFICATION OF THE PROBLEM TO BE SOLVED	
Client/intended user:	For the sole use of Mr. Mark Stern of FRGR Managing Member, LLC
Intended use:	To assist the client in establishing a price at which to refinance the property. This report is not intended for any other use. The appraiser is not responsible for unauthorized use of this report.
Objective of the Assignment:	To develop an opinion of the Retrospective Value of the stated interest in the subject property. "Market value" is defined by the agencies that regulate financial institutions in the United States and is published by the Appraisal Institute in the Dictionary of Real Estate Appraisal, 4th edition.
Effective date of value opinion:	December 31, 2008
Real property interest valued:	Leased Fee
Identification of real estate:	Multiple Locations in Alabama, Virginia, Georgia and North Carolina
Current use:	Retail
Highest and best use:	Retail
Conditions of the Assignment:	
Extraordinary Assumptions:	<ul style="list-style-type: none"> • We valued the subject property as a Portfolio utilizing the consolidated financial statements from Jones Lang LaSalle since this transaction was a Portfolio purchase of 11 properties upon which the loan was based. • Allocated values for the Colonial Portfolio were based on prior appraisals completed by Integra Realty Resources for the benefit of Citigroup, dated May-June, 2007 and were reduced from a value of approximately \$193,000,000 to reflect market conditions as of 12/31/08. These values are shown for informational purposes only in the Conclusion section of this report. • As of 12/31/2008, the properties were assumed to be maintained in good condition. • Borrower has provided a copy of an offer of \$137,300,000 presented on November 7, 2008, however the sale was not consummated. • The Borrower has also provided a Letter of Intent to purchase the property, dated April 6, 2008 for

SUMMARY OF SALIENT FACTS

FRGR's 11 Mall Portfolio

	<p>\$142,150,000, which also was not consummated.</p> <ul style="list-style-type: none">• Reportedly Citigroup is currently holding \$8.0 million from the subject properties in various escrows due to an ongoing litigation.• Financial information provided by the borrower for the month of April 2009 is an accurate reflection for year 2009 estimate.
Hypothetical Conditions:	<ul style="list-style-type: none">• There is a hypothetical condition that a new tenant, Carmike, whose lease was in the process of being executed in 2008, would have occupied 42,000 SF of space in both Decatur and Staunton to have commenced in 2009 would have resulted in an increase in the combined portfolio value of \$14,100,000.• There is an additional hypothetical condition regarding the \$8,000,000 in costs: Decatur Township would have reimbursed \$4,400,000 of the expected development cost and Staunton Township would have reimbursed \$2,500,000 of the improvement costs.
Date of report:	October 15, 2009

List of Properties

Colonial Shoppes Bellwood
2701-2787 Bell Road
Montgomery, Alabama 36117

Britt David Shopping Center
2911 Airport Thruway
Columbus, Georgia 31906

Colonial Mall Lakeshore
150 Pearl Nix Parkway
Gainesville, Georgia 30501

Colonial Mall Decatur
1801 Beltline Road SW
Decatur, Alabama 35601

Colonial Promenade Montgomery
2542-2786 Eastern Boulevard
Montgomery, Alabama 36117

Colonial Mall – Staunton
90 Lee-Jackson Highway
Staunton, Virginia 24401

Mayberry Mall
Andy Griffith Parkway
Mount Airy, North Carolina 27030

McGehee
3459 McGehee Road
Montgomery, Alabama 36111

Old Towne Shopping Square
3003-3009 McGehee Road
Montgomery, Alabama 36111

Promenade Montgomery North
2232-2430 Eastern Boulevard
Montgomery, Alabama 36117

Quaker Village
5606 West Friendly Avenue
Greensboro, North Carolina 27410

SCOPE OF WORK	
Scope of Work:	<p>In preparing this appraisal, the appraiser</p> <ul style="list-style-type: none">• Analyzed the information provided by the owner such as the previous appraisal and rent roll and occupancy.• In the income approach, the appraiser used the direct capitalization approach.• Developed a range of Cap Rates for properties in the range of 7% to 9.25% based on multiple factors.
Report Option:	<p>This report is a Restricted Appraisal Report in accordance with Standards Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice. As such, it does not present detailed discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's work file. The appraiser's opinions and conclusions set forth in this report cannot be understood properly without additional information in the appraiser's work file.</p>

CONCLUSION OF ANALYSIS

*Based on the above cited scope of work, as of the effective date noted,
and subject to the extraordinary assumptions and hypothetical conditions listed.*

Opinion of Value: (Retrospective Value)	<u>Retrospective Value as of December 31, 2008</u>		
	1	1. Colonial Shoppes- Bellwood, AL	\$4,475,000
	2	2. Colonial Mall- Decatur, AL	\$30,500,000
	3	3. Britt David Shopping Center, GA	\$7,425,000
	4	4. Colonial Mall Lakeshore, GA	\$25,300,000
	5	5. Colonial Promenade Montgomery, AL	\$17,675,000
	6	6. Colonial Mall- Staunton, VA	\$19,475,000
	7	7. Mayberry Mall, NC	\$4,800,000
	8	8. Old Towne Shopping Center, AL	\$375,000
	9	9. Colonial Shoppes McGhee, AL	\$3,075,000
	10	10. Promenade Montgomery North, AL	\$15,175,000
	11	11. Quacker Village, AL	\$8,625,000
		Total Value	\$136,900,000
	Rounded	\$137,000,000	
	\$137,000,000 (Rounded) (as of December 31, 2008)		
Property History:	This price is consistent with the appraiser’s opinion of market value. There have been no other recorded transfers of the subject property in the three years prior to the effective date of this valuation.		

UNDERLYING ASSUMPTIONS

This appraisal report is subject to the following general assumptions and limiting conditions:

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of liens, easements, encroachments and other encumbrances unless otherwise stated, and all improvements are assumed to lie within property boundaries.
2. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
3. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been, or can readily be obtained, or renewed for any use on which the value estimates provided in this report are based.
4. Full compliance with all applicable federal, state and local zoning, use occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.
5. No responsibility is taken for changes in market conditions and no obligations assumed to revise this report to reflect events or conditions which occur subsequent to the appraisal date hereof.
6. Responsible ownership and competent property management are assumed.
7. The allocation, if any, in this report of the total valuation among components of the property applies only to the program of utilization stated in this report. The separate values for any components may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.
8. Areas and dimensions of the property were obtained from sources believed to be reliable. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property and no responsibility is assumed for their accuracy. No independent surveys were conducted.
9. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that affect value. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

10. No soil analysis or geological studies were ordered or made in conjunction with this report, nor was an investigation made of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions.
11. Neither U.S. Real Estate Advisors, Inc., nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, to provide testimony or appear in court or other legal proceedings, unless specific arrangements therefore have been made.
12. This appraisal has been made in conformance with, and is subject to, the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.
13. This report has been made only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including without limitation any conclusions as to value, the identity of U.S. Real Estate Advisors, Inc., or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties by any means without the prior written consent and approval of U.S. Real Estate Advisors, Inc.
14. We have not been engaged nor are qualified to detect the existence of hazardous material that may or may not be present on or near the property. The presence of potentially hazardous substances such as asbestos, urea-formaldehyde foam insulation, industrial wastes, etc. may affect the value of the property. The value estimate herein is predicated on the assumption that there is no such material on, in, or near the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field if further information is desired.
15. The date of value to which the conclusions and opinions expressed in this report apply is set forth in the opinion letter at the front of this report. Our value opinion is based on the purchasing power of the United States' dollar as of this date.
16. This appraisal report cannot be included, or referred to, in any Securities and Exchange Commission filings or other public documents.
17. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the

UNDERLYING ASSUMPTIONS

FRGR's 11 Mall Portfolio

property. Since we have no evidence relating to this issue, we did not consider possible noncompliance with the requirements of the ADA in estimation the value of the property.

LIMITING CONDITIONS

This appraisal report was prepared in accordance with the following limiting conditions. It is to be understood that a client's request for, and acceptance of, this appraisal report constitutes the acceptance of these limiting conditions.

- ◆ The appraiser will not be required to give testimony or appear in court as a result of preparing the appraisal with reference to the subject property in question, unless prior arrangements have been made and agreed upon to that effect.
- ◆ Possession of this report does not carry with it the right of publication. Out-of-context quotations or partial reprinting of this appraisal report is not authorized. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraiser signing this appraisal report.
- ◆ Disclosure of the contents of this report is governed by the By-Laws and Regulations of The Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or appraisers or the firm with which the appraiser (s) is associated, or any reference to The Appraisal Institute or to the appraiser's designations) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the respective appraiser or appraisers.
- ◆ The distribution of the total valuation in this report, between land and improvements, is applicable only as it is utilized in this appraisal. The land value, or the separate value of the improvements, must not be used in conjunction with any other appraisal or estimate and is invalid if so used.
- ◆ An appraisal related to an estate in land that is less than the whole Fee Simple Estate applies only to the fractional interest or interests involved. The value of this fractional interest plus the value of all other fractional interests may or may not equal the value of the entire Fee Simple Estate considered as a whole.
- ◆ The appraisal report related to a geographical portion of a larger parcel is applied only to such geographical portion and should not be considered as applying with equal validity to other portions of the larger parcel or tract as a whole. The value for such geographical portions plus the value of all other geographical portions may or may not equal the value of the entire parcel or tract considered as a whole.

LIMITING CONDITIONS**FRGR's 11 Mall Portfolio**

- ◆ The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to change as conditions change.
- ◆ The plans, specifications, and representations referred to herein are an integral part of the appraisal report when new construction, additions, renovations, or remodeling is either evident or proposed. As such the appraisal is subject to any proposed improvements or additions being completed as set forth in the plans, specifications, and representations referred to in the report, and all work being performed in a good and workmanlike manner. The appraisal is further subject to the proposed improvements or additions being constructed in accordance with the regulations of the local, county, and state authorities.
- ◆ No environmental or concurrency impact studies were either requested or made in conjunction with this appraisal report. The appraiser, thereby, reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental or concurrency impact studies, research or investigation subsequent to the completion of this appraisal report.
- ◆ The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the subject property. Since the appraiser is not considered an expert with these issues, possible noncompliance with the requirements of ADA and its impact on the value of the subject property has not been considered.
- ◆ This appraisal report complies with the requirements set forth in title XI CFR part 225.61 et seq; of the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989, commonly known as "FIRREA". The appraisal also conforms to the Uniform Standards of Professional Appraisal Practice ("USPAP") and discloses any steps taken that were necessary or appropriate to comply with the competency provision of USPAP, and that this appraisal is not based on a requested minimum valuation, a specific valuation or the approval of a loan.
- ◆ U.S. Real Estate Advisors, Inc. maximum liability relating to services rendered under this letter (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fees paid to U.S. Real Estate Advisors, Inc. for its services under this individual assignment. In no event shall U.S. Real Estate Advisors, Inc. be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.) even if it has been advised of their possible existence.

LIMITING CONDITIONS**FRGR's 11 Mall Portfolio**

- ◆ If any provision of these terms or any document incorporated by reference is found by a court of competent jurisdiction to be invalid, the parties nevertheless agree that the court should endeavor to give effect to the parties' intentions as reflected in the provision, and the other provisions of such documents remain in full force and effect.
- ◆ This document may be executed in counterpart, which when taken together shall constitute a single document.
- ◆ A facsimile (fax) signature shall be valid and binding.
- ◆ Client shall indemnify and hold U.S. Real Estate Advisors, Inc. and its personnel from and against any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of U.S. Real Estate Advisors, Inc. personnel involved and consequential, special incidental or punitive damages) brought against, paid or incurred by U.S. Real Estate Advisors, Inc. at any time and in any way arising out of a breach by client of its obligations under this agreement.

CERTIFICATION

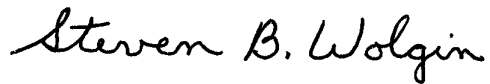
The Appraiser has personally conducted this appraisal in an objective manner. Furthermore, this appraisal conforms to "USPAP" Standards Rule 2-3 which states:

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this appraisal report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal
- Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
- Steve Wolgin, MAI, CRE has not made a personal inspection of the property that is the subject of this report.
- We certify that, to the best of our knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- No one other than the individuals signing the report has provided significant professional assistance.

CERTIFICATION**FRGR's 11 Mall Portfolio**

- Use of the report is subject to the professional requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, we have completed the continuing education program of the Appraisal Institute.



Steve Wolgin, MAI, CRE

ADDENDA

- A. Additional Photographs of Subject (Provided by the Owner)
- B. Appraisers' Qualifications

Addenda A: ADDITIONAL PHOTOGRAPHS OF SUBJECT

ADDENDA A: SUBJECT PHOTOS



Decatur Mall



ADDENDA A: SUBJECT PHOTOS



Colonial Mall Decatur



Colonial Mall Lakeshore

ADDENDA A: SUBJECT PHOTOS



Promenade Montgomery North

ADDENDA A: SUBJECT PHOTOS



Colonial Promenade Montgomery North



Old Towne Shopping Square

ADDENDA A: SUBJECT PHOTOS



Quaker Village



Colonial Mall Staunton

Addenda B: APPRAISER'S QUALIFICATIONS

ADDENDA

US Real Estate Advisors, INC.
STEVEN B. WOLGIN, MAI, CRE
100 Park Avenue, Suite 2501, New York, NY 10017
212-922-9233 swolgin@optonline.net

SUMMARY

Extensive experience involving writing appraisal reports, appraisal reviews, arbitration and litigation support. Assignments have involved complex appraisals for major office and retail properties and underwriting for new loans and re-financings, acquisitions, litigation and feasibility analysis. This experience has involved working with major banks, insurance companies, pension funds and developers nationwide for over the past 25 years.

EXPERIENCE

U.S. Real Estate Advisors, Inc.

President (12/00 – Present)

New York, New York

Provide appraisals, appraisal review, consulting and arbitration for a large variety of institutional clients including several REIT's. The valuation assignments have been on a variety of product types including large office, retail, multi-family, industrial, self-storage, hotels and senior living properties. Consulting assignments have also involved negotiating and underwriting loan transactions on a nationwide basis.

J. P. MORGAN

Chief Appraiser (12/99-11/00)

New York, New York

Analyzed, reviewed and valued individual assets in their \$9 Billion dollar real estate portfolio. This involved being a member of the Investment Committee, writing quarterly reports and presenting them at J.P. Morgan Capital Markets meetings. This activity also involved analyzing properties in the portfolio to make appropriate buy, sell and hold recommendations.

ODYSSEY ASSOCIATES

President (3/96-12/99)

Tenafly, NJ

Provide commercial real estate valuation, consulting and acquisition services to a variety of institutions. These assignments have also involved the underwriting and due diligence of over \$10 billion of new CMBS originations for CitiBank, Nomura, Chase, and CRIIMI MAE. The services provided have included research and technical expertise involving the analysis of commercial mortgage backed securities.

THE PRUDENTIAL REALTY GROUP

Chief Appraiser (5/90-3/96)

Newark, NJ

Responsibilities included valuation for portfolio management, buy, sell, and hold decisions impacting annual policyholders' returns for 14 offices nationwide. Analyzed the development and repositioning of properties in the portfolio and diversifying risk by optimizing the mix of property types and dollar size. This generated additional returns and saved money impacting the \$6 billion dollar Prudential Realty Group equity portfolio. Managed a staff of seven people in New Jersey and supervised approximately 35 analysts spread throughout the 12 other Realty Group offices.

STANDARD AND POOR'S CORPORATION

Vice President (8/87-5/90)

New York, NY

Responsibilities included designing new criteria for the development of rating office, hotel, retail, and other special-use type properties. Developed a methodology to assess portfolio risk on a city-by-city basis as well as a plan to monitor and analyze portfolio performance on an ongoing basis. Marketed and developed a loan evaluation product used to assist in the sale of whole loan participation in the secondary market. Valued and analyzed over \$3 billion of various commercial mortgage backed and other property involving many different types of structure and collateral. Was the lead real estate analyst on the Mellon Bank and Premier "Good/Bad Bank" transactions that involved the appraisal review and due diligence analysis on hundreds of properties estimated at over \$1.5 billion.

Grubb & Ellis

Vice President (4/82-8/87)

New York, NY

Responsible for the advising, coordinating, and development of real estate transactions for major developers and clients involved in acquisition, disposition, relocation, valuation, and lease negotiations. Saved \$1 million for BMW by renegotiating lease, appraised many properties in excess of \$125 million, advised Aetna, Fisher Brothers, American Can, and 500 Fifth Avenue on major transactions, and performed fee-based assignments for the General Service Administration.

EDUCATION

♦ **Drexel University**, Philadelphia, PA

M. B. A. - Finance (1981)

♦ **Wharton School**, Philadelphia, PA

B. S. - Finance (1975)

DESIGNATIONS

♦ **Counselors of Real Estate**

Member (CRE)

♦ **American Institute of Real Estate Appraisers**

Member (MAI)

TEACHING

♦ **New York University**, New York, NY

Adjunct Assistant Professor
Master's Program
(Real Estate Capital Markets)

♦ **John Hopkins University**, Washington, DC

Adjunct Assistant Professor
Real Estate Finance

♦ **The Prudential Realty Group**, Newark, NJ

Executive Training

PUBLICATIONS

♦ **Real Estate Issues (CRE)**
William S. Ballard Award

Prices & Appraisals: Where Is the Truth?

- ♦ **Credit Review/ Credit Week** Commercial Mortgage Pools & Securities
- ♦ **Real Estate Finance Review** Back To The Future

AFFILIATIONS

- ♦ **Commercial Secondary Securitization Association (CSSA),** Chairman Seminars (1999)
- ♦ **Counselors of Real Estate (CRE), NY Chapter** Chairman (2001 and 2002)

COMPUTERS

- ♦ Working knowledge of: Argus, Microsoft XP & Power Point

Exhibit C

This Agreement dated the 6 day of JAN , 09 between First Republic Group Realty, LLC a Delaware limited liability company maintaining its offices at 241 Fifth Avenue, New York, New York 10018 (hereinafter "FRGR") and First Republic Group, Corp. a New York corporation company maintaining an office for the transaction of business at 241 Fifth Avenue, New York, New York, (hereinafter "FRG")

WITNESSETH

WHEREAS FRGR is the landlord of certain properties located at Britt David, Georgia and Mayberry, North Carolina; and

WHEREAS FRGR has leased space to the US Army for a US Army Recruiting Center in Mayberry North Carolina, and to Dollar Tree in Britt David, Georgia; and

WHEREAS FRGR is now due reimbursement from the United State Army Corps of Engineers, for the build out of the commercial spaces that it has rented from FRGR in Mayberry North Carolina; and

WHEREAS FRGR is now due reimbursement from Dollar Tree, for the build out of the commercial space that Dollar Tree has rented from FRGR in Britt David Georgia; and

WHEREAS FRGR is justly indebted to FRG under certain existing contracts pursuant to which FRG provides services to FRGR

NOW THEREFORE the parties agree as follows:

1. FRGR hereby assigns all of its right title and interest in and to that certain reimbursement obligation of the United States Army Corps of Engineers to FRGR in respect of its commercial space in Mayberry North Carolina to FRG.
2. FRGR hereby assigns all of its right title and interest in and to that certain reimbursement obligation of Dollar Tree to FRGR in respect of its commercial space in Britt David Georgia to FRG.
3. FRGR's assignment under this agreement is made in consideration, and in partial satisfaction of, sums due to FRG under its existing agreements with FRGR.
4. Notices. All notices sent hereunder shall be sent to the parties at their respective address set forth above by certified mail, return receipt requested.
5. No Disclosure of Confidential Information. FRG shall not disclose to any person, firm, or corporation any trade, technical and/or technological secrets, any details of FRGR's organizations or business affairs, any names of present customers of FRGR or its affiliates or any other information relating to the business or businesses or their affiliates.
6. Right to Ex Parte Relief. The FRGR recognizes that immediate and irreparable damage will result to FRG if FRGR breaches any of the terms and conditions of this agreement and, accordingly, the FRGR hereby consents to the entry of temporary, preliminary, and permanent injunctive relief by the New York County Supreme Court, which court shall be the sole court of competent jurisdiction, against FRGR to restrain any such breach in addition to any other

remedies or claims for money damages that the FRG may seek; and agrees to pay all costs and counsel fees incurred by the FRG in enforcing this agreement, which rights shall be cumulative.

7. **Existence of Claims not a Defense.** The existence of any claim or cause of action of FRGR against FRG whether predicated on this agreement or otherwise, shall not constitute a defense to the enforcement by FRG of this Agreement.
8. **Right to Injunctive Relief.** FRGR recognizes and agrees that FRG does not have a remedy at law adequate to protect FRG's rights and interests as set forth in this agreement, and FRGR therefore agrees that FRG shall have the right to an injunction enjoining FRGR from violating the provisions of this agreement. Nothing herein contained shall be construed as prohibiting FRG from pursuing any other remedies available to FRG for such breach or threatened breach.
9. **Attorney's Fees Recoverable.** If any action at law or equity is necessary to enforce or interpret the terms of this agreement, the prevailing party shall be entitled to recovery actual attorney fees, costs, and necessary disbursements, in addition to any other relief and/or damages to which the prevailing party may be entitled.
10. **Entire Agreement.** This agreement constitutes the entire agreement between the parties hereto and supersedes all prior negotiations, understandings and agreements, whether oral or written, of any nature whatsoever with respect to the build-out reimbursement obligations that are the subject matter hereof, and there are no representations, warranties, understandings or agreements other than those expressly set forth herein between the FRGR and FRG
11. **Modifications to be In Writing.** This agreement is not to be changed, modified or terminated unless it is changed in writing, and signed by the parties hereto.
12. **Governing Law.** The validity, interpretation, construction and enforcement of this agreement shall be governed by the laws of the State of New York.
13. **Severability.** In the event that the Supreme Court of Manhattan County determines that this agreement is unenforceable in whole or in part for any reason, including, without limitation, the duration, scope, and remedies set forth above, then same shall not be void, but rather shall be enforced to the extent that same is deemed to be enforceable by said court, as if originally executed in that form by the parties hereto. Further provided that the invalidity or unenforceability of any particular provision of this agreement shall not affect the other provisions hereto, and the agreement shall be construed in all respects as though such invalid or unenforceable provision were omitted.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date herein.

First Republic Group Corp.

First Republic Group Realty, LLC

By: _____

By: _____

ASSIGNMENT:

Know ye all Men by these Presents that:

First Republic Group, Corp. a New York corporation company maintaining an office for the transaction of business at 241 Fifth Avenue, New York, New York, (hereinafter "FRG") for value of \$10.00 in hand paid, together other good and valuable consideration the receipt and sufficiency of which is acknowledged, does hereby ASSIGN without representation or warranty to Republic Funding all of First Republic Group Corp.'s right title and interest in and to certain build out reimbursement obligations due to First Republic Group Realty, as set forth in a certain contract bearing even date herewith between First Republic Group Realty, LLC and First Republic Group Corp.

FIRST REPUBLIC GROUP CORP., Assignor

By: 

STATE OF NEW YORK)
) ss.:
COUNTY OF)


On the 7 day of Jan 2008 before me, the undersigned personally appeared, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

Receipt acknowledged:
REPUBLIC FUNDING

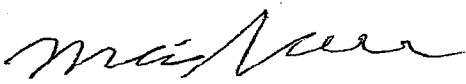
By: 

STATE OF NEW YORK)
) ss.:
COUNTY OF)

On the 7 day of Jan 2008 before me, the undersigned personally appeared, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.


Notary Public




Notary Public

